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Budget Overview

The \$3.1 billion state transportation budget supports state and local highway programs, public transportation programs, aeronautics programs, and administration of the Michigan Department of Transportation. Funding is provided from state-restricted, federal, and local revenue. There is no state GF/GP revenue in this budget.

Summary of Major Budget Issues

MTF Revenue - Appropriated/Estimated – The enacted budget largely reflects revenue estimates developed in February 2003. Appropriations were not adjusted to reflect revised Michigan Transportation Fund (MTF) revenue estimates made May 2003, or 2003 statutory changes affecting MTF revenue. Differences between appropriated/estimated (as revised) MTF revenue include:

- Decrease in baseline MTF revenue estimates from February to May 2003 – (\$6.3 million)
- Diesel and LP gas tax increase (included in Executive budget) not passed - (\$38.9 million)
- SB 554 shift of MTF revenue to Transportation Administration Collection Fund – (\$51.4 million)
- Decrease in MTF IDGs (State and Treasury) - \$76.6 million increase in MTF for distribution
- SB 554 fee increases - \$4.1 million MTF, plus \$108.0 million one-time MTF from trailer fees

The above differences net to \$92.1 million more MTF revenue available for distribution than is appropriated in SB 265. In addition, SB 265 appropriations do not reflect the transfer of \$10.0 million from the Comprehensive Transportation Fund (CTF) to the State Trunkline Fund (STF) effected in SB 539.

Distribution of this additional MTF revenue in accordance with provisions of Public Act 51 of 1951 would provide an additional \$42.3 million for the STF. It is anticipated that these funds will be used to support restoration of 17 capacity improvement projects previously deferred as part of the department's **Preserve first** initiative. The additional estimated MTF revenue would support the distribution of an additional \$32.5 million to county road commissions, and \$18.1 million to cities and villages, beyond the amounts shown in the enacted bill. Appropriations for CTF-supported programs are \$1.9 million more than is supported by revenue estimates – after consideration of the redirection of CTF funds made in SB 539.

	FY 2002-03 YTD (as of 3/6/03)	Executive	Senate	House	Enacted	Difference: House to 2002-03 YTD	
						Amount	%
IDG/IDT	\$0	\$0	0	0	0	\$0	0.0
Federal	963,136,100	965,255,100	965,255,100	965,255,100	941,755,100	(21,381,000)	(2.2)
Local	5,800,000	5,800,000	5,800,000	5,800,000	5,800,000	0	0.0
Private	0	0	0	0	0	0	0.0
Restricted	2,124,655,300	2,228,934,100	2,184,941,300	2,165,322,000	2,163,477,000	38,821,700	1.8
GF/GP	0	0				0	0.0
Gross	\$3,093,591,400	\$3,199,989,200	\$3,155,996,400	\$3,136,377,100	\$3,111,032,100	\$17,440,700	0.6
FTEs	3,074.3	3,075.3	3,004.0	3,056.3	3,056.3	(18.0)	(0.6)

Note: FY 2002-03 YTD figures do not include the results of any supplementals, contingency transfers, or Executive Order actions that occurred after March 6, 2003.

		FY 2002-03 YTD (as of 3/6/03)	Enacted Change from YTD
<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>			
1. Debt Service	Gross	\$137,632,100	(\$2,356,400)
The appropriation of \$135.3 million in the enacted bill reflects anticipated debt service schedules. Note that the current-year appropriation was subsequently reduced by \$5.0 million in supplemental appropriation bill, SB 540. See “Supplementals” section below.	Federal	21,000,000	3,000,000
	Restricted	116,632,100	(5,356,400)
2. Michigan Transportation Fund (MTF) Grants to Other State Departments (IDGs)	Gross	\$105,747,800	(\$77,981,900)
The enacted bill appropriates \$27.8 million in MTF grants to other state departments, including \$20.0 million to the Department of State, and \$6.7 million to the Department of Treasury, to reimburse those departments for the costs of collecting MTF revenue. The appropriation reflects the provisions of enacted Senate bill SB 554 and SB 539. (See www.michiganlegislature.org for the House Fiscal Agency analysis of these bills).	Restricted	105,747,800	(77,981,900)
3. State Trunkline Fund Grants (IDGs) to other State Departments	Gross	\$14,386,700	(\$1,004,900)
The appropriation of \$13.4 million reflects Executive recommendations for STF grants to other state departments.	Restricted	14,386,700	(1,004,900)
4. State Transportation Commission Per Diem	Gross	\$10,000	(\$10,000)
The enacted bill adopts the Executive recommendation to eliminate this line, currently used to reimburse members of the State Transportation Commission for attending meetings.	Restricted	10,000	(10,000)
5. Highway Maintenance	Gross	\$232,911,100	\$1,117,500
The enacted bill appropriates \$234.0 million for state trunkline maintenance—an increase of less than 1%. The increase largely reflects costs of additional lane miles added to the state trunkline system through new construction and jurisdictional transfers, and the increased cost of road maintenance materials. The enacted bill does not follow the Executive’s recommendation to roll up the \$135.3 million <i>Contract operations</i> line item into a single <i>State trunkline operations</i> line.	Restricted	232,911,100	1,117,500

		FY 2002-03 YTD (as of 3/6/03)	Enacted Change from YTD
<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>			
6. State Trunkline Road and Bridge Construction	Gross	\$912,670,300	\$40,994,800
This line is used to support construction and reconstruction of state trunkline roads and bridges. Note that the appropriation of \$961.3 million (before vetoes) is \$42.3 million less than estimated available revenue. It is anticipated that subsequent appropriation of this additional revenue will be used to support restoration of 17 capacity improvement projects deferred as part of the department's <i>Preserve first</i> initiative. See discussion in Summary section.	Federal	656,187,300	(24,587,300)
	Local	5,000,000	0
	Restricted	251,483,000	65,582,100
Note that the enacted appropriation of \$953.7 million reflects \$7.8 million in vetoes. See "Vetoes" section below.			
7. Federal Aid to Local Road Agencies	Gross	\$215,132,000	\$(6,232,000)
Appropriates \$208.9 million in federal funds for local road agency construction projects. The enacted appropriation reflects the Governor's veto of a \$17.6 million earmark for local bridge programs. See "Vetoes" section below.	Federal	215,132,000	(6,232,000)
Note that the current-year appropriation was subsequently increased by \$18.0 million in supplemental appropriation bill, HB 4032. See "Supplementals" section below.			
8. MTF Distribution to Local Road Agencies	Gross	\$931,367,800	\$61,603,400
Public Act 51 of 1951 (Act 51) provides a formula distribution of funds from the MTF to local road agencies (county road commissions, and incorporated cities and villages). The enacted bill appropriates \$993.0 million—\$637.5 million to county road commissions, and \$355.4 million to cities and villages based on February 2003 MTF revenue estimates.	Restricted	931,367,800	61,603,400
Note that actual MTF distributions will be based on actual MTF revenue. See discussion in "Summary" section above.			
9. Transportation Economic Development Fund (TEDF)	Gross	\$42,848,300	\$(2,875,900)
The enacted bill appropriates \$40.0 million for TEDF programs—a decrease of \$2.9 million from the current year. The decrease reflects a \$2.9 million increase in TEDF debt service related to the Build Michigan III program. The Executive's proposal to redirect \$13.0 million in driver's license fee revenue currently earmarked for the TEDF was not adopted.	Restricted	42,848,300	(2,875,900)
10. Aeronautics Programs	Gross	\$5,809,600	\$709,300
The enacted bill reflects increased estimates of State Aeronautics Fund revenue.	Restricted	5,809,600	709,300

Major Budget Changes from FY 2002-03 YTD Appropriations:		FY 2002-03 YTD (as of 3/6/03)	Enacted Change from YTD
11. UPTRAN Administration	FTEs	104.0	(19.0)
The enacted bill appropriates \$6.6 million for the Bureau of Urban and Public Transportation, with 85.0 authorized FTE positions.	Gross	\$8,725,400	(\$2,075,400)
	Restricted	8,725,400	(2,075,400)
12. Bus Transit - Local Bus Operating Assistance	Gross	\$160,000,000	\$1,680,000
This line item is used to provide state operating assistance to 75 public transit agencies in Michigan. Appropriates \$161.7 million (CTF). The enacted appropriation reflects the veto of Sec. 732. See "Vetoed" section below.	Restricted	160,000,000	1,680,000
Includes boilerplate limiting funding for the RTCC (DDOT and SMART) to current year (FY 2002-03) funding levels.			
13. Bus Transit - Non-Urban Operating/Capital	Gross	\$10,300,000	\$600,000
Provides federal funds (from Federal Transit Act, Section 5311) to transit systems in "non-urbanized" areas (populations less than 50,000). Anticipates federal revenue increase.	Federal	10,100,000	600,000
	Restricted	0	0
	Local	200,000	0
14. Bus Capital	Gross	\$49,544,900	\$4,200,000
Appropriates \$53.0 million based on anticipated increased federal revenue support.	Federal	34,650,000	4,200,000
	Restricted	13,699,500	0
	Local	500,000	0
15. Work first initiative	Gross	\$5,850,000	\$150,000
The \$6.0 million appropriation reflects anticipated federal revenue sources.	Federal	0	150,000
	Restricted	5,850,000	0
16. Other Public Transportation Programs	Gross	N/A	\$0
The Senate-passed bill had eliminated four program line items – Ridesharing (\$330,700), Van pooling (\$195,000), Planning grants (\$80,000), and Regional service coordination (\$500,000), and had reduced CTF funding other public transportation line items - Specialized services (\$339,500), Service development and new technology (\$200,000), Freight preservation and development (\$389,400), and Marine passenger service (\$400,000). The enacted bill restores funding for these programs to current-year level.	Federal	N/A	0
	Restricted	N/A	0

Supplementals

1. HB 4032 – Preserve first deferred projects	Gross	N/A	\$0
The enrolled bill had included funding for 34 specific capacity improvement road projects which had been deferred as part of the department's <i>Preserve first</i> initiative. Each project was included in the bill as a separate appropriation line item. The total appropriation of \$181.2 million was funded from a	Federal	N/A	0

	FY 2002-03 YTD (as of 3/6/03)	Enacted Change from YTD
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Major Budget Changes from FY 2002-03 YTD Appropriations:

corresponding reduction in the State trunkline road and bridge line item. The Governor vetoed both the project items and related negative appropriation line. (The veto also took an unrelated \$6.0 million increase from the State road and bridge construction line, related to the restoration of federal bridge funds vetoed in September 2002.)

Note that on July 14, 2003 the Governor announced that the department would resume work on 17 of the previously deferred projects.

2. <i>HB 4032 –Federal Aid for Local Critical Bridge Program</i>	Gross	N/A	\$18,000,000
	Federal	N/A	18,000,000

The bill included \$18.0 million for the Local federal aid road and bridge line. This represented a restoration of federal bridge funds vetoed in September 2002.

3. <i>SB 540 - ASAP Program Debt Service</i>	Gross	N/A	(\$5,000,000)
	Restricted	N/A	(5,000,000)

The department had not yet issued CTF airport safety and protection bonds, and related debt service payments were not required. The \$5.0 million current-year appropriation was eliminated from the transportation budget and reappropriated in capital outlay to support federal-aid airport improvement program projects.

Vetoed

1. <i>Federal Bridge Funds for Local Bridges</i>	Gross	N/A	(\$23,500,000)
	Federal	N/A	(23,000,000)

The Governor vetoed Section 405 which earmarked 20% of federal bridge funds to the Critical Bridge program for local road agency bridge projects. This equates to \$23.5 million – \$5.9 million more than Executive recommendations. The veto reduced spending authority for the State trunkline road and bridge construction line item by \$5.9 million, and the Local federal aid road and bridge construction line item by \$17.6 million. It is anticipated that the Executive will propose to restore these funds in a supplemental appropriation, without the earmark for local bridge programs.

2. <i>Legislative Project Designations</i>	Gross	N/A	(\$1,825,000)
	Restricted	N/A	(1,825,000)

The Governor vetoed Legislative project earmarks in Sections 613 through 621. The specific projects and estimated FY 2003-04 costs are as follows:

Sec. 613 –Bridge in Hume Township bridge (\$200,000)
 Sec. 614 - Ogemaw County I-75 interchange (\$50,000)
 Sec. 615 - Chandler Road/I-69 interchange (\$350,000)

	FY 2002-03 YTD (as of 3/6/03)	Enacted Change from YTD
<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		
Sec.616 - Cheboygan bridge replacement (\$400,000)		
Sec. 617 - I-75 interchange Chippewa County (\$100,000)		
Sec. 618 - Vance Rd/M-37 traffic signal (\$75,000)		
Sec. 619 - I-275 interchange Canton Twp (\$500,000)		
Sec.620 - Newaygo traffic signal (\$75,000)		
Sec. 621 - Bay Harbor traffic signal (\$75,000)		

The veto reduced spending authority for the State trunkline road and bridge construction line by \$1.775 million (STF), and Planning administration by \$50,000 (STF).

3. CTF Reimbursement to Transit Ferry Service	Gross	N/A	(\$20,000
The Governor vetoed Sec. 732 which prohibited transit agencies that operate ferry services from charging tolls to school buses, and provided reimbursement for lost revenue.	Restricted	N/A	(20,000)

Major Boilerplate Changes from FY 2002-03:

Sec. 206. Contingency Funds – DELETED

The enacted bill does not include any contingency funds.

Sec. 324. Construction Zone Traffic Law Enforcement - MODIFIED

Appropriates \$500,000 to law enforcement agencies for construction traffic law enforcement and the “Give ‘em a brake campaign.”

Sec. 358. Director’s Salary – NOT INCLUDED

The enacted bill does not include Senate language that would have reduces the department director’s salary based on the number of days a legislatively mandated report is late.

Sec. 359. Personal Service Contracts – NOT INCLUDED

The enacted bill does not include Senate language that would have prohibited the Bureau of Multi-modal transportation services and the Bureau of Planning from using personal service contracts.

Sec. 360. Public Transit Planning – NOT INCLUDED

The enacted bill does not include Senate language that would have prohibited the Bureau of Planning from engaging in planning activities associated with local public transit agencies.

Sec. 361. Bureau of Multi-modal Transportation Services (New)

The enacted bill requires the Bureau of Multi-modal transportation services to prepare a management plan, and to conduct functions only under formal program policies adopted by the State Transportation Commission

Sec. 362. Emergency Vehicles Signage (New)

Requires the department to work with law enforcement agencies to inform public regarding duties under Section 653a of the Michigan Vehicle Code to use care and caution in passing emergency vehicles.

Sec. 363. Log Truck Safety Study (New)

Earmarks funds to complete Michigan Tech. study.

Sec. 364. Full-service Service Station Project (New)

Provides \$25,000 to assist veteran and disabled groups in identifying full-service service stations that assist persons with disabilities.

Sec. 405. Federal Bridge Funds to Local Critical Bridge Fund - VETOED

Earmarks 20% of federal bridge funds for local road a road agency bridge projects.

Sec. 611. *Pavement Marking (New)*

Directs the department to use high quality pavement marking materials on state trunkline projects. Provides for pilot project and reporting requirement.

Sec. 612. *Incentive/Disincentive Contracts (New)*

Requires the department to establish guidelines for use of incentive/disincentive contracts and establishes a reporting requirement.

Sec. 711. *Rail Passenger (AMTRAK) - MODIFIED*

Raises the subsidy limit from \$5.7 million to \$7.1 million and requires marketing and kiosk staffing. Adds new subsection (7) that does not allow funding to AMTRAK if AMTRAK discontinued service during the current (2002-03) fiscal year.

Sec. 726. *CTF Balance Transfer to General Fund - NOT INCLUDED*

The enacted bill does not include Senate language that would have directed that \$16.0 million from the unreserved and unencumbered CTF fund balance at September 30, 2004 be transferred to the state General Fund.

Sec. 727. *Local Bus Operating – Limitation on RTCC Funding (New)*

The enacted bill limits the local bus operating assistance to the RTCC (DDOT and SMART) to current-year funding.

Sec. 728. *Alternative Rail Passenger Service (New)*

Permit the department to provide funds to explore alternative rail passenger service and new transportation technology.

Sec. 729. *DARTA Start-Up Costs (New)*

Limits state CTF matching funds to \$200,000 and requires equal matching by local sources. Prohibits expenditure of CTF funds for initial comprehensive regional public transportation plan until 45 days after the plan has been presented to the legislature, state budget office, and the department

Sec. 730. *Intercity Bus Security*

Permits the expenditure of funds for increased security of intercity bus carriers.

Sec. 731. *DIFT - RETAINED*

Retains restrictions on funding Detroit intermodal freight terminal outside of existing rail freight property prior to environmental impact statement.

Sec. 732. *School Buses and Ferry Service - VETOED*

Prohibits transit agencies that operate ferry services from charging tolls to school buses. Provides reimbursement for lost revenue.

Sec. 733. *State Maritime Policy (New)*

Requires the department to conduct study of state maritime development and investments. Provides reporting requirement.